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Foote, Allen Ripley

How specie payments can
be made certain during...

[S.I.]

[1898?]


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CLUB
COMMITTEE,
NEW YORK,

HOW SPECIE PAYMENTS CAN BE MADE CERTAIN DURING PEACE OR WAR,

WITH "A BILL TO REGULATE THE ISSUING OF BONDS OF THE
UNITED STATES."

A PAPER BY

ALLEN RIPLEY FOOTE,

of Takoma Park, D. C.,

MEMBER OF THE AMERICAN ECONOMIC ASSOCIATION, AND OF THE AMERICAN
ACADEMY OF POLITICAL AND SOCIAL SCIENCE.

Author of

ECONOMIC VALUE OF ELECTRIC LIGHT AND POWER; A DISCUSSION OF THE
ECONOMIC PRINCIPLES INVOLVED IN THE LAW OF INCORPORATED
COMPANIES OPERATING UNDER MUNICIPAL FRANCHISES;
THE MONEY OF THE CONSTITUTION, ETC.

READ BEFORE THE

NEW YORK BOARD OF TRADE AND TRANSPORTATION,

New York City, April 13, 1898.

The resolutions of the Board endorsing said bill. Also resolutions endorsing
H. R. bill 9725.

HOW SPECIE PAYMENTS CAN BE MADE CERTAIN.

At the regular monthly meeting of the New York Board of Trade and Transportation, held April 13th, 1898 Dr. S. A. Robinson, Chairman of the Committee on Finance, offered the following resolution:

Resolved, That the New York Board of Trade and Transportation heartily endorses the proposal for "A bill to regulate the issuing of bonds of the United States," suggested by Mr. Allen Ripley Foote, and authorizes its Finance Committee to secure its introduction in Congress and promote its passage.

The following paper by ALLEN RIPLEY FOOTE was then presented and read:

In view of impending conditions it is an imperative duty to place the Treasury in a position to maintain specie payments, under stress of any demand that may be made upon it. Success in doing this, in a way to conserve every interest of the whole people, and at the least obtainable annual charge against the public revenues, will be to render a public service second to none other in its vital and far-reaching effects upon individual and public welfare.

The maintenance of specie payments is the only way in which the people can be protected against suffering the penalties inflicted by a depreciated currency, which will be exacted with merciless impartiality from all classes, if the legislative errors of 1861 to 1875 are repeated. Specie payments can be maintained in a way to give stability to the currency for the future and at the same time to terminate the disastrous effects of past errors. To provide for the accomplishment of these results, incalculable as the magnitude of their beneficence is certain to be, it is only necessary to adopt a correct policy for providing funds with which to promptly cover any deficiency in revenue. Being a correct policy, when once adopted, no departure need ever be made from it in peace or war, and if war comes, whether it be of small or large proportions, of short or long duration.

CREDIT SHOULD ONLY BE USED FOR BORROWING SPECIE.

Measures for increasing revenues are not involved in the consideration of measures to provide for deficient revenues except in the sense that revenue measures should be calculated to satisfy all demands as fully as possible. So long as income equals disbursements, specie payments can not fail. The failure will come only when disbursements exceed income and it is necessary to supply the

deficiency with borrowed funds. If then the temptation to issue creditor's certificates and demand currency notes is effectually resisted, and the Government is permitted to use its credit only for the purpose of borrowing specie, the welfare of every citizen will be absolutely protected from the disasters of another financial panic, or another bitter experience with depreciated currency. If the Government borrows specie it can make its payment in specie.

No authority now exists under which the Treasury can issue interest bearing obligations except that contained in the Resumption Act of 1875. If the Government never issues a creditor's certificate nor a demand currency note, but adheres inflexibly to the policy of borrowing specie with which to make all its payments, the United States Treasury need never again suspend specie payments. What this means to wage-earners, farmers, manufacturers, owners of transportation facilities, and merchants need not now be elaborated. The suggestion is sufficient to cause every careful, intelligent citizen to realize its tremendous importance.

THE SUSPENSION OF SPECIE PAYMENTS A NATIONAL CALAMITY.

The instant the Treasury suspends specie payments the affairs of all vocations will be plunged into a chaos of uncertainty inseparable from a depreciated currency. Prices of commodities will rise faster than wages, thus depriving wage-earners of a part of their incomes. Contracts made on a specie basis may be paid in depreciated currency, thus robbing the creditor of a part of his principal. When the turn of the tide comes, as it surely must, the reverse of this will become true. That unseen power which overrules the proposals of men holds the scales of justice in even balance. The enormous losses sustained by creditors, caused by the unexpected inflation of a depreciated currency from 1862 to 1865 were counterbalanced by the grievous burdens placed on debtors by the inevitable contraction from 1865 to 1879. The history and memory of that experience in all of its manifold manifestations, should be a sufficient warning to cause every voter to firmly resolve that *that* experience shall never be repeated. That experience should teach everyone that, in the imperial sweep of national policies, no heed can be paid to an individual interest. Governments are created to protect life and property, but when the Government itself requires protection the life and property of individuals are promptly taken—a lesser sacrifice for the preservation of a greater good. The only opportunity for mercy is in curtailing the sacrifice

within the narrowest possible limits by an unsparing waging of the conflict until a conclusion is reached.

HOW SPECIE PAYMENTS CAN BE MAINTAINED AT THE LEAST COST AND WITH THE GREATEST CERTAINTY.

There can be no intelligent difference of opinion as to the soundness of the policy of maintaining specie payments. The only question admitting of discussion is,—*How can specie payments be maintained at the least cost and with the greatest certainty?*

Existing regulations for bond issues are unnecessarily expensive. They fail to bring directly to the support of the Treasury the vast and inexhaustible money power of the masses, those who loan money at the lowest rates of interest through their savings bank deposits. They permit bond dealers to intervene between the Treasury and the people, and to secure a margin of profit at the expense of the people.

Under existing regulations bonds are issued at a fixed rate of interest, in large denominations, and the entire series may be sold to a syndicate at a contract rate of premium, which must be below market rates, or, if advertised, conditions induce speculative bidding. The bids are not for the lowest rate of interest, the interest rate is fixed by law,—but for a premium or discount. The difference between their buying price and the price at which speculative buyers are able to sell their purchases to small investors is a direct and unnecessary loss to the people. This loss is caused by the failure of the Government to deal directly with those who buy bonds as an investment, and to issue them in small denominations.

To secure a *low rate of interest* bonds must be offered in small denominations, in any amount bid, to the real money power of the world, held by the millions,—not the millions,—whose aggregate holdings constitute a reserve of enormous proportions.

To secure the *lowest obtainable rate of interest*, bonds must not only be offered in small denominations and in any amount bid, but the *medium of final payment* must be specifically stated in the bond.

The purpose of issuing bonds is not only to secure funds to enable the Treasury to promptly meet all demands, when demands are in excess of income, but also to maintain specie payments. While specie payments are maintained all dollars will be held on a parity with each other, and tenders for bonds may be accepted in any existing legal-tender currency, because the Treasury can make its payments with such currency at par. So long as this is done no depreciation can ensue. The bonds, however, must be

made payable in that form of specie for which the tender specifies the lowest annual interest payment.

HOW THE ISSUING OF BONDS SHOULD BE REGULATED.

The considerations stated clearly determine the character of the regulations that should now be adopted to govern the issuing of bonds, whenever authorized and for whatever purpose. To state these regulations in concrete form the following is suggested:

A BILL TO REGULATE THE ISSUING OF BONDS OF THE UNITED STATES:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled:

That on and after the approval of this Act, the Secretary of the Treasury is authorized and directed, whenever required to issue bonds of the United States, to advertise such bonds to be sold in denominations of fifty dollars and such multiples thereof as he may elect, payable in coined silver dollars or in coin or in gold coin of the United States, of the weight and fineness now authorized by law; the coin of payment to be determined solely by the terms of the tenders for the bonds. Only such tenders shall be accepted as shall make the lowest rate of annual interest payment on account of such bonds while outstanding.

And be it further enacted, That all Acts and parts of Acts conflicting with the execution of this Act, are hereby repealed.

Under the terms of this Bill no speculation can be made by bidding for an entire issue at a low premium on a fixed rate of interest.

All bids will be at par. The lowest rate of interest asked will determine which bids shall be accepted, regardless of the amount bid, or the coin specification for final payment.

The person who will tender fifty dollars, or any multiple thereof in any existing legal-tender money, at the lowest rate of interest will have his bid accepted and he will be given the option to nominate in the bond the medium of final payment. He can stipulate that final payment shall be made *in silver coin; in coin*—either gold or silver at the option of the Treasury—or *in gold coin*, of the weight and fineness now authorized by law. The lowest rate of interest asked, not the coin of final payment demanded, is the determining factor in selling the bonds. This is a plain business proposition that will appeal to the good sense and the patriotism of every citizen. It gives equal

opportunity to the advocates of a silver standard, or a bimetallic standard or of a gold standard to make their loans payable in the coins of their faith, and to measure their business judgment and their patriotism by the rate of interest they will contract to accept. If there are shylocks who demand a higher return for the use of their money than others are willing to accept, these conditions will prevent them from having their names inscribed in the books of the Treasury as creditors of the nation. If there are those who seek to speculate on the necessities of the Government in its hours of distress these regulations will protect public and private welfare from their mercenary manipulations. These regulations permit no favoritism, no discrimination in favor of one section, class, interest, or coin as against another, they satisfy every requirement and demand regarding bond issues, by whatever party made.

COMPETITION OPEN TO THE WORLD.

When bonds are offered for sale under these regulations, the Treasury will require existing legal-tender money with which to pay its obligations. The welfare of the people requires that it shall obtain this money at the lowest possible rate of annual interest. Fully to satisfy these requirements, competition for the purchase of the bonds will be open to the world. Whoever will supply the Treasury with fifty dollars, or multiples thereof, in legal-tender currency, *at the lowest rate of annual interest*, can buy a bond, or bonds, to the amount of his tender, be it little or much, payable in the coin he may nominate in the bond. Issues can be made to bidders at the lowest rate remaining to be accepted, after all tenders at the lowest bids have been accepted, until the whole amount authorized has been sold. At every bond sale the millions of the few will be compelled to compete with the millions of the masses under conditions that give no opportunity to suspicious or prejudices of any kind. The fact of low rates bid under these conditions will strengthen public and private credit at home and abroad. This competition will induce an exhibition of patriotism and confidence in the Government without a parallel in the experience of nations. The representatives of the people, standing without a dissenting voice in support of the President, furnishes an illustration of the solidarity of the Republic. The response of the people who have implicit confidence in the stability and good faith of the Government they have created and control, when the call comes directly to them for their money and their lives, will demonstrate the true power of an intelligent democracy.

What man will hesitate to intrust the Government with his savings, who will not hesitate to defend "Old Glory" with his blood? What person having a father, husband, brother or lover in the ranks will permit his sacrifice to fail of its purpose by refusing to loan their savings to the Government at a nominal rate of interest,—aye, *without interest*. American manhood has never shouldered a rifle in obedience to his country's call *for pay*. His purpose and his recompense has always been the promotion of the cause of liberty, the upholding of the dignity of labor, the welfare of humanity. When the Government of the people calls for money or men let the terms of the call give to each an opportunity to demonstrate his patriotism in both ways, or in either, as he may have the ability to do. Open a way in which all the people may respond to the support of the Government when it calls for aid in its own defence, or in the cause of humanity, the people will prove themselves worthy inheritors of the honors others won by enduring suffering and doing deeds of valor. Americans now living will do more than this. They will so write their names in the books of the Treasury, and on the muster-rolls of the Army and Navy, that the bond holder and the rifle holder shall be known to be of one blood. As we have cause to honor those who were before us, the people of to-day will give equal cause to those who come after us to honor them.

Upon the conditions contained in the measure suggested the Government can obtain all the specie it may ever require to enable it to promptly pay every demand whether for peace or for war, and at the lowest rates of interest known among nations. This measure will secure for the people an opportunity to demonstrate their ability to protect themselves from the disasters of a depreciated currency through any crisis, from whatever cause. Such a demonstration will satisfy the powers of the world that the integrity of American credit, and the territory of the American Republic, are alike unassailable.

A discussion of the provisions of the bill ensued, participated in by many of the members. At the conclusion of the discussion the resolution was unanimously adopted.

The Chairman of the Committee on Finance then reported the following resolutions endorsing H. R. bill 9725, introduced April 5, 1898, by Hon. James T. McCleary, of Minnesota, entitled: "*A Bill to provide for strengthening the public credit, for the relief of the United States Treasury, and for the amendment of the laws relating to national banking associations.*"

Resolved, By the NEW YORK BOARD OF TRADE AND TRANSPORTATION, a body composed of eight hundred individuals and firms engaged in producing, manufacturing and mercantile pursuits, having but three bankers in its membership, that it recognizes the fact that commodities are money: that currency is but an evidence of ownership in the form of a promise to make delivery on demand, and maintains now—as it has always maintained—that there is no sound economic reason why there should not be in every properly organized and governed community in this country one or more banks of issue, the notes of which shall always be good at par in gold values, and in sufficient supply promptly to effect all legitimate exchanges of the products of labor desired by the people, and this, without the use of one dollar of (to them) foreign capital. And

Resolved, That this Board has always discerned the fact that free silver advocates are dependent for success upon their ability to prevent a revision of banking and currency legislation that will permit the re-monetizing of all products of the country, instead of confining currency issues to but two products of comparatively minor importance—gold and silver—and give to the people a sound currency freed from the control of bondholders. And

Resolved, That this Board recognizes in the bill reported to the House of Representatives by the Hon. James T. McCleary, of Minnesota, the Hon. George W. Prince, of Illinois, and the Hon. John Murray Mitchell, of New York, (H. R. 9725), special sub-committee of the Committee on Banking and Currency, a measure that will, if enacted into law, secure for every section of the country an opportunity to create its own currency and bring the relief so long sought and so earnestly demanded, and for this reason earnestly urges its prompt enactment. And be it further

Resolved, Applying the language used by its President, the Hon. Darwin R. James, in his address before the Board, January 18, 1896, that this Board calls upon the commercial bodies throughout the country with which it is in touch, of which there are over thirteen hundred, to arise in their might and demand of their Representatives and Senators in Washington the enactment of the measure reported by the Special Sub-Committee on Banking and Currency of the House of Representatives, and thus lift the nation out of the financial slough in which it has so long been plunged.

These resolutions were unanimously adopted.

The foregoing are true copies of the resolutions as adopted.

[L. S.]

OSCAR S. STRAUS,
Vice-President, Acting President.

Attest:

FRANK S. GARDNER, Secretary.

**END OF
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